



# DEPARTMENT OF LABOR AND INDUSTRY

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF AUGUST 2022

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

October 6, 2022

Gary Pan, Commissioner  
Department of Labor and Industry  
600 East Main Street, Suite 207  
Richmond, VA 23219

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Department of Labor and Industry** (Labor and Industry). We completed the review on August 22, 2022. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of Labor and Industry is responsible for establishing and maintaining an effective control environment.

### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for Labor and Industry. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

## **Review Procedures**

We evaluated the agency's corrective action for all prior review findings, including findings in the report titled [Cycled Agency Information Systems Security Review for the year ended June 30, 2019](#). The agency has taken adequate corrective action with respect to all findings reported in the prior reviews from 2019, that are not repeated in the "Review Results" section below.

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only inquiry was necessary, while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. Our review of Labor and Industry's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated Labor and Industry's process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources, revenues and expenses, grants management, and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

## **Review Results**

We noted the following areas requiring management's attention resulting from our review:

- **Repeat** - Labor and Industry continues to not have adequate controls in place to ensure access termination complies with the requirements of the Commonwealth's Information Security Standard, SEC 501 (Security Standard). Labor and Industry's process involves logging a ticket with the Information Technology (IT) department to request the removal of access. For a population of 28 employees who terminated during calendar year 2021, Labor and Industry did not have a ticket number or ticket to provide for three separations. By not retaining the tickets there is no evidence that Labor and Industry removed the access timely. The Security Standard, Section PS-4, requires agencies to remove system access of employees within 24 hours of termination. Labor and Industry should remove access timely and retain evidence of removal when employees terminate.

- Labor and Industry has not conducted an IT security audit over each of its sensitive systems at least once in the last three years. The Commonwealth's IT Security Audit Standard, SEC 502, Section 1.4, requires that IT systems containing sensitive data, or with a sensitivity rating of high on any of the criteria of confidentiality, integrity, or availability, shall receive an IT security audit at least once every three years. Labor and Industry contracts with the Virginia IT Agency for centralized audit services. Management should work with the Virginia IT Agency to ensure it completes IT security audits for each of the sensitive systems at least once every three years to help ensure the protection of sensitive and mission critical data.

We discussed these matters with management on August 23, 2022. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record, and its distribution is not limited.

Sincerely,

Staci A. Henshaw  
Auditor of Public Accounts

JDE/clj



**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF LABOR AND INDUSTRY**

**Gary G. Pan**  
COMMISSIONER

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November 17, 2022

Ms. Staci Henshaw  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw:

Thank you for the opportunity to respond to the Internal Control Questionnaire Review Results Report for the Department of Labor and Industry (DOLI).

The Department will ensure all areas requiring management's attention related to (1) policies and procedures and (2) IT Service Providers are addressed. The Department has updated policies to reflect the proper time frame of 24 hours from termination and will ensure that we adhere to policy. We also have a better understanding of the necessary documentation to obtain during the off-boarding process (i.e ticket numbers). We will also work closely with VITA to ensure IT security audits are completed at least once every three years.

We appreciate the courtesy and professionalism of your staff during the review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary G. Pan", with a long, sweeping horizontal line extending to the right.

Gary G. Pan  
Commissioner